

News Release

Immediate release

Ottawa, November 30, 2007
2007-092

Government Establishes Advisory Panel on Canada's System of International Taxation

The Honourable Jim Flaherty, Minister of Finance, today announced the establishment of an Advisory Panel to consider ways to improve the fairness and competitiveness of Canada's system of international taxation, as proposed in Budget 2007.

"Government has an important role to play in creating the right conditions for Canadians and Canadian businesses to invest and thrive," said Minister Flaherty. "To help us achieve our goal, we are creating a Canadian Tax Advantage by providing relief in every way the government collects taxes: personal taxes, consumption taxes, excise taxes and an historic reduction in business taxes. But lowering taxes is not enough. The tax system must also be fair, ensuring that tax considerations do not unduly influence business and investment decisions."

The Panel's objectives are to:

- improve the fairness, economic efficiency and competitiveness of Canada's system of international taxation, as outlined in *Advantage Canada*;
- minimize compliance costs for business and facilitate administration and enforcement by the Canada Revenue Agency; and
- develop practical and readily-applicable changes, taking into account existing rules and tax treaties as well as fiscal implications.

The Panel will be chaired by Mr. Peter Godsoe, who was Chief Executive Officer of the Bank of Nova Scotia from 1993 to 2003 and its Chairman from 1995 to 2004. He currently acts as director on the boards of many large Canadian corporations, including Barrick Gold Corporation, Onex Corporation and Rogers Communications Inc.

Mr. Kevin Dancey will act as Vice-Chair. Mr. Dancey is President and CEO of the Canadian Institute of Chartered Accountants and former CEO and Canadian Senior Partner of PricewaterhouseCoopers. Mr. Dancey served as Assistant Deputy Minister, Tax Policy Branch of the Department of Finance, from 1993 to 1995.



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In addition to the Chair and Vice-Chair, Mr. James Love, Mr. Guy Saint-Pierre, Ms. Cathy Williams and Mr. Finn Poschmann have been appointed to the Panel. Together, they have an impressive record of experience and knowledge in business and the international tax field. The Panel will commence its work early next month. In the interim, the government will appoint an additional tax practitioner to the Panel.

"I thank the panel members for their time, commitment and valued input," said Minister Flaherty. "Their task will be challenging, but I believe it will lead to a tax system that is internationally competitive, encourages further investment and strengthens the economy."

The Panel will be seeking the participation of the business community in organizing a series of roundtables. The Panel will submit its final report to the Minister of Finance by December 1, 2008.

Interested parties will be invited to submit views for consideration by the Panel. Further details on making submissions will be provided by the Panel shortly.

Short biographies, as well as the Panel's mandate, are attached.

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Biographical Notes

Peter C. Godsoe, O.C., M.B.A., LL.D., F.C.A.

Peter Godsoe began his career with Scotiabank in 1966 in Ottawa. After serving in Toronto, Montreal and New York, he rose rapidly through various positions and then was elected President and Chief Operating Officer in 1992, Chief Executive Officer in 1993 and Chairman in 1995.

Mr. Godsoe retired from the Bank of Nova Scotia on March 2, 2004.

His corporate directorships include Barrick Gold Corporation (since 1994), Onex Corporation, Ingersoll-Rand Company, Rogers Communications Inc. (since 2003), Lonmin PLC (since 2001), Fairmont Hotels & Resorts, Sobeys Inc. and Templeton Emerging Markets Investment Trust.

Mr. Godsoe was the Chancellor of the University of Western Ontario from 1996 to 2000 and is currently a Vice Chairman of the Atlantic Institute for Market Research and a director of a number of non-profit institutes, including the Canadian Council of Christians & Jews and Mount Sinai Hospital.

Mr. Godsoe holds a B.Sc. in Mathematics and Physics from the University of Toronto, which he attended on a scholarship in mathematics and French. He also holds an MBA from the Harvard Business School and is a C.A. and a Fellow of the Institute of Chartered Accountants of Ontario. Mr. Godsoe has accepted honorary degrees from University of King's College, Concordia University, University of Western Ontario and Dalhousie University. In 2002, Mr. Godsoe became a member of the Canadian Business Hall of Fame and an Officer of the Order of Canada.

Kevin J. Dancey, F.C.A.

Kevin Dancey was appointed President and CEO of the Canadian Institute of Chartered Accountants in June 2006.

Prior to his appointment, he served as the CEO and Canadian Senior Partner of PricewaterhouseCoopers from 2001 to 2005. Prior to his election by firm partners to this position, he served as leader of PricewaterhouseCoopers' Canadian Tax Services group.

Mr. Dancey joined Coopers & Lybrand in 1973, moving to the Tax Group in 1976. He was appointed partner in 1980. Between 1985 and 1987, he was special adviser to the Department of Finance as part of the Executive Interchange Program and, from 1993 to 1995, he served as Assistant Deputy Minister, Tax Policy Branch of the Department of Finance. In 1995, he was appointed leader of Coopers & Lybrand's Canadian Tax practice, a position he retained after the merger.

In 2006, he was appointed a member of the Auditor General's Panel of Senior Advisors, the Council of Governors for the Canadian Public Accountability Board, the Board of the International Federation of Accountants and the Global Accounting Alliance.

Mr. Dancey has written and spoken extensively on international and business tax issues.

He graduated from McMaster University in 1972 with an Honours Bachelor of Arts degree in Mathematics and Economics. He became a C.A. in 1975 and was awarded his F.C.A. in 2000.

James Barton Love, Q.C.

Mr. Love is a lawyer and founding partner of the Toronto law firm Love & Whalen. He is also Chairman and CEO of Legacy Private Trust, which specializes in wills, estates, trusts and guardianships and focuses its service mandate on being a fiduciary. He has practised in the areas of income tax, commodities tax, acquisitions, mergers, corporate reorganizations, estate planning, wills and trusts, with an emphasis on international tax planning.

Mr. Love's directorships include the Royal Canadian Mint and a number of Canadian corporations. He is also a director of several charitable foundations including The Bacula Foundation, The Lillian and Don Wright Foundation and The Westaway Charitable Foundation. He served as Chair of the Expert Panel on Financial Security for Children with Severe Disabilities, which presented its Report to the Minister of Finance in the fall of 2006.

Mr. Love obtained a Bachelor of Laws and a Master of Laws in Taxation Law from Osgoode Hall Law School, Toronto, Ontario. He was appointed Queen's Counsel by Her Majesty the Queen in right of Canada in 1992.

Guy Saint-Pierre, C.C.

Guy Saint-Pierre retired as chairman of the board for Royal Bank of Canada on February 27, 2004, a position he held since his appointment on August 1, 2001. Previously, he had been president and chief executive officer of SNC-Lavalin Group Inc. from January 1989 to May 2002 and chairman between May 1996 and May 2002.

Mr. Saint-Pierre began his career as an officer in the Corps of Royal Canadian Engineers at Camp Gagetown, New Brunswick, in 1959. From 1964 to 1966 he was Registrar of the Corporation of Engineers of Québec, then vice-president of Acres Québec until 1970. He was elected to the National Assembly of Québec in April 1970 and served as Minister of Education (1970-1972) and Minister of Industry and Commerce (1972-1976).

Guy Saint-Pierre serves on the board of the Institute for Research on Public Policy. Between 1990 and 2007, he served on the Alcan Inc., BCE, Bell, General Motors of Canada, Royal Bank of Canada and SNC-Lavalin Inc. boards. He is past chairman of the Canadian Manufacturers Association, the Conference Board of Canada and the Business Council on National Issues.

Mr. Saint-Pierre graduated from Laval University with a B.A. Sc. in Civil Engineering in 1957. An Athlone Scholar, he obtained an M.Sc. from the University of London in 1959 and holds a D.I.C. from the Imperial College of Science and Technology. He is a companion of the Order of Canada.

Cathy Williams

Cathy Williams, a graduate of the University of Western Ontario and Queen's University, recently retired as Chief Financial Officer of Shell Canada Limited. She worked for Shell for 22 years in a variety of financial roles, including two assignments in London, England, with Shell International. Previously she worked for the Federal Business Development Bank in Ottawa, the Bank of Canada in Ottawa and Toronto, and Nova Corporation in Calgary.

Ms. Williams joined the Board of Directors of Enbridge Inc. in November 2007 and she was recently appointed Chair of the Board of Governors of Mount Royal College in Calgary.

Her previous community involvement has included membership on the Boards of Directors of Junior Achievement of Southern Alberta and the United Way of Calgary, both of which she chaired. She is also currently on the Advisory Board for the Dean of the Business School at Queen's University.

Finn Poschmann

Finn Poschmann is Director of Research at the C.D. Howe Institute, where he has held a variety of positions since January 1998; he is program coordinator for the Institute's Financial Services Research Initiative. For more than a decade previous, he was at the Parliamentary Research Branch in Ottawa, where he held a number of research positions principally involved with providing economic analysis and advice to Parliamentarians and Standing Committees. He has worked in numerous areas within the field of economics, but has primarily been concerned with public finance and taxation and federal-provincial relations.

He is particularly interested in the distributional impact of taxation and in the use of microsimulation tools in the design of tax policy, but has also worked on monetary policy issues and disparate public policy questions. Recent publications have dealt with federal and provincial tax and fiscal issues, taxes and foreign investment, the tax treatment of retirement savings, Canada's exchange rate policies, and financial services.

Advisory Panel on Canada's System of International Taxation

Mandate

Building a tax advantage for Canadian individuals and businesses is a key element of the Government of Canada's long-term economic plan – *Advantage Canada*. As such, Canada's system of international taxation must remain current and supportive of Canadians investing abroad and foreigners investing in Canada so that these activities can contribute to the growth and productivity of the Canadian economy.

As announced in Budget 2007 and as detailed in the Anti-Tax-Haven Initiative released on May 14, 2007, the government will undertake a review of those aspects of Canada's system of international taxation that most affect businesses. To conduct this review, the government is setting up an Advisory Panel on International Tax Issues with the mandate of providing recommendations for consideration by the government as to how to improve Canada's current system of international taxation.

The Panel's assessment is to be conducted with the following general objectives:

- improve the fairness, economic efficiency and competitiveness of Canada's system of international taxation, as outlined in *Advantage Canada*;
- minimize compliance costs for business and facilitate administration and enforcement by the Canada Revenue Agency; and
- develop practical and readily-applicable changes, taking into account existing rules and tax treaties as well as fiscal implications.

Budget 2007 announced significant policy changes that will provide a new direction to Canada's system of international taxation in the years to come. Building on the measures announced in Budget 2007 and explained in the Anti-Tax-Haven Initiative, and within the general framework and policies defined by the existing system, the Panel is specifically asked to:

- provide an assessment of Canada's system of international taxation with regard to the above-mentioned objectives, and to identify and document, through further study and consultations, issues that arise under the current system;
- identify and assess possible options to address these issues (including their fiscal impact);
- present detailed and specific recommendations for consideration by the government as to which actions, beyond those already announced, should be implemented in the future, and in what order of priority.

The Panel will review issues related to the taxation of inbound direct investment, such as "debt dumping", thin capitalization rules and non-resident withholding taxes, and the taxation of outbound direct investment, such as the foreign affiliate and foreign accrual property income rules and the treatment of foreign branches.

In identifying existing issues, the Panel will provide an up-to-date description of the transactions and tax strategies entered into by Canadian multinational businesses and foreign businesses that invest in Canada.

It is also asked, in identifying and assessing possible options, to consider how other developed countries have dealt with these issues and the extent to which this international experience may be relevant to the Canadian situation.

The Panel's analysis and recommendations will be included in a report to be submitted to the Minister of Finance by December 1, 2008.

